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CHAIRPERSON GAER: It's my pleasure to introduce the next speaker. Our next speaker is Mr. Andrew Natsios, who serves as Administrator of the United States Agency for International Development, USAID. President Bush appointed him Special Coordinator for International Disaster Assistance and Special Humanitarian Coordinator for the Sudan.

Mr. Natsios is formerly the Chairman and Chief Executive Officer of the Massachusetts Turnpike Authority. Before that, he was Secretary for Administration and Finance for the Commonwealth of Massachusetts. He also previously served at USAID as the first Director of the Office of Foreign Disaster Assistance and then as Assistant Administrator for the Bureau for Food and Humanitarian Assistance.

AID is so centrally involved in the reconstruction of Afghanistan that Mr. Natsios needs no further introduction. I thank him for joining us.

[Applause.]

ADMINISTRATOR NATSIOS: Thank you very much, Chairperson Gaer.

Though rich in history, and tradition and culture, Afghanistan has always been a poor country. The 22 years of violence and destruction that followed the Soviet invasion in 1979, however, reduced the country to unprecedented levels of poverty, hunger and desperation. In fact, on the human misery index, which is an index kept by UNDP--they don't call it that, but that's what it is--Afghanistan actually ranks as one of the three lowest countries in each of the indicators we use, and it's mainly the destruction that took place the last 22 years that has done that.

It is only since the United States, the Afghanistan opposition and our allies overthrew the Taliban in the fall of 2001 and in the beginning of 2002, that it has been possible to speak in terms of reconstruction. To expect that the country could be restored to status quo ante in a matter of months, ignores our experience of reconstruction experience in other post-war settings.

I have been working in this field for 12 years. I worked for an NGO for five years as well, and I've worked on 12 different reconstructions of 12 countries after civil wars, and there is always a conflict between people who want things done very quickly and those of us who know if you do it too quickly, you will make design mistakes that will come back to haunt you later on.

And so there's always a push immediately to do it, and whenever we do that, we make mistakes that we regret. So we have to be responsive to the political requirements. If President Karzai does not show progress, there are serious political problems; on the other hand, we want to make sure the work we do with the ministries in Kabul, and the government, and the NGO community, and the U.N. and the World Banks, the different banks, are done properly so that a firm foundation is placed for the long-term reconstruction of the country.

Europe was not rebuilt in six months after World War II, and I have to tell you Kabul looked to me like pictures of Berlin in 1945, when I visited there twice in the last year.

The United States government has spent \$580 million on humanitarian and reconstruction assistance for Afghanistan in the 12 months that followed September 11th. Of that, my agency

was responsible for \$350 million. In the four months since fiscal 2002 ended, which is to say since October 1st, AID has spent another \$136 million, which means we've spent now over \$700 million on Afghan's reconstruction, far and away more than any other bilateral aid agency in the world.

No one should doubt our commitment to the reconstruction of the country. The President said late last year we will stay the course to help that country develop. Last night he said, "In Afghanistan, we helped liberate an oppressed people, and we will continue helping them secure their country, rebuild their society and educate all of their children, boys and girls."

In addition to our emergency assistance, AID is deeply involved in helping the Afghan people, through the central government, to rebuild their country. Our programs can be divided into the following categories: One, humanitarian assistance and winterization; two, agriculture; three, infrastructure development; four, democracy governance and a free media, economic development and health and education.

While I will discuss these elements separately, it is important to note that they are all aimed at improving, one, people's lives. If there is not a tangible improvement in people's lives, there will be consequences politically for the country and for the central government. So it is not enough to have head--we can have all of the headlines we want in the United States; we can talk about all of the money we have spent. If the average Afghan does not see an appreciable change in their living standard and how they live, then it will have political consequences.

Secondly, we want to strengthen the Karzai administration's and the central government's ability to provide services so that they can govern the country themselves over the long term without international assistance.

Ensuring, number three, that the horrors of the past 23 years are not repeated. I'd like to discuss a few of these programs.

First, in humanitarian assistance, we purchased \$200 million of emergency food aid, most of it through WFP and the NGO community, for fiscal '02. Now, some people say that's too much. The reality is--and I have some expertise in famines; I've been through a number of them and

written a couple of books on them--we were facing pre-famine conditions in the summer of 2001, before September 11th, as a result of three years of drought and economic collapse and gross mismanagement by the Taliban. I wouldn't even use the word "mismanagement," a destruction of large parts of the country.

I went to the Shamali Plain--I have a deep interest in agriculture--it was a very, very rich truck-farming area, very prosperous area. It was completely destroyed. The irrigation ditches were blown up. The tunnels that led to the Hazarajat to bring water down were destroyed, deliberately, systematically.

I even saw mosques blown up. I had an elderly mullah in his seventies sit down in front of me--it was very sad--in the middle of the ruins of his mosque and cry because he said, "Taliban came into our village, and they blew up the mosque. They blew up the mosque because we did not share their view of Islam."

In fact, three-quarters of all of the food that WFP distributed in Afghanistan was from the United States, and it did prevent a famine last winter. There's been a dramatic decline in the amount of food aid needed for this winter, but all of the food aid was also in place before the winter started. Ninety percent of that food was in warehouses in the regional areas, in the villages, before the winter started, so we will not have a repetition of the frenzied pace of the relief effort last year.

We also used the food, though, to pay people's salaries. People don't know this. But the one consistent salary everybody received in the Afghanistan government was not a check, because that went off and on depending on whether money came in from the donors, but it was a voucher, stamped by the central government and AID, that said you can go to a depot, WFP, and as a civil servant and get paid.

Fifty thousand teachers got paid for six months almost exclusively from food aid as their salary. Many of them said we prefer that because the money doesn't buy different things at different times depending on prices. Food we have to eat no matter what happens. And so it was a consistent salary supplement that we provided earlier on.

Afghanistan has always been primarily an agricultural society - I might add a rich society, not

just subsistence agriculture. They exported a lot of wonderful products. I have to tell you I saw some apples on the market in Kabul when I was there in January, and I said these must have been imported from Israel maybe or Europe or the United States. And they said, no, no, no, these are Afghan apples, and if we can only get the orchards back, we'll be exporting like we used to. So it's not just a matter of subsistence agriculture. A large part of the foreign, the income was from exporting agricultural goods, very high-value agricultural goods, and we want to remake that economy as it was before 1979.

We sent in an improved variety of seed, which we searched for over Central Asia with our agronomists working with the World Bank, and it produces 80 to 100 percent more wheat per hectare. The farmers I talked to were so ecstatic. They said this is a miracle. I said it's not a miracle, it's just you didn't have this before. There has been an 800,000-ton increase in wheat production in one year.

If you ask me the most important thing, because the one thing everybody has to have to survive is food. If you don't produce food, you're in big trouble. The schools are second, but the first thing is food. There is a dramatic increase in food production in Afghanistan. Part of it was the weather improving from drought. But, secondly, not only us, but other donor governments bought this same wheat variety, which is drought resistant, requires less fertilizer and is much more productive and is now getting into the agricultural system and will be replicated now and become a very, very productive part of the site. We sent in 15,000 tons of fertilizer, 7,000 tons of this seed, and over three years AID hopes to replace 20-percent of the entire seed stock of the country with these improved varieties, which should bring back production above what it was in 1979. The country was self-sufficient in food in 1979.

I also should tell you there was a 400-percent increase in cotton production in the Helman Valley as a replacement for poppies, another one of our agricultural programs.

Afghanistan has always been a bridge between Central and South Asia. Of course, that's a benefit because it's very prosperous trade that goes on, but it's also a problem because every powerful country wants to control that nexus of transportation. That's why there was a battle for two centuries, or for more than that, over Afghanistan, because it's a central transportation link.

One of the most pressing needs, and one that Chairman Karzai insisted on, is to repair the road system, both for trade purposes, but also for revenue. It brings in customs duties. It is a

trading culture. The Afghan people are extraordinarily well endowed by their culture and their traditions to be traders and business people, and to revive that economy is a central part of what we want to do.

The President, the Japanese and Saudis announced a \$160-million program to rebuild the Kabul to Kandahar to Herat Road. I just got a report this morning. Our first contract piece of that road, south of Kabul, was to rebuild--we started this last fall in November--the first contract was 45 kilometers. We have now completed 32 kilometers, in terms of demining, engineering and grading. We had to stop it when the ground froze.

I ran the biggest construction project in American history for a year in Boston. I can tell you weather counts. Not only you can't grade easily when it freezes, but the second thing is you cannot put hot top down. You cannot put asphalt down because the emulsion doesn't work.

So we had to suspend all of those activities, and we moved all of our equipment down to Kandahar to work on the highway west of Kandahar because it's much warmer down there and the ground doesn't freeze, and so we've moved our activities. But that is moving along at about a half-a-kilometer a day. It's on schedule, and in three years the whole thing should be completed, depending on whether we get funding from other donors to complete their part of it. We're doing our part of it, and we're working very hard.

We're also working with the Afghan Ministry of Water and Power to restore the water supply to Kabul, Kunduz and Kandahar. We're rehabilitating 6,000 wells, springs and irrigation canals.

In terms of governance, we provided the support, very quietly, through AID, for the emergency Loya Jirga that selected the Karzai government. We do not publicize that a lot, but there are 60 AID officers who worked on the logistics, moving a couple of thousand people, and feeding them, and housing them, and providing the sound system, and the seats, and all of that for this thing. People don't think about that. It's a critical part of this. We worked with the U.N. and with the Ministry. Ashraf Ghani actually supervised these people, but they are AID officers, and we spent about \$6 million on that.

The economic development program also features the governance aspect of this. The Afghan

central bank has just issued a new currency. They issued it. It was their project. But if you ask the Governor of the central bank who helped them do it, we provided the shredding machines to destroy the old currency, and the warlords' currency, and counting machines to count the new currency--you can't do it by hand, there's too much of it--and the security system to move the currency out to the regional banking centers, and then a public relations campaign, public information campaign, to explain to people how the currency works, because if they don't accept the currency, it's not a currency. It's very critical.

We have done this in many countries, and it was a great success. If you ask President Karzai, I think he will tell you that this is one of his great accomplishments. You can't have a growing economy without a stable, accepted currency, and they now have one in Afghanistan, in very short order, I might add.

In the health area, we vaccinated 4.25 million children against measles and treatment of 700,000 cases of malaria. We've provided health care services to two million people since last summer, 90 percent of them women and children. We've begun training 1,154 health-based workers who work for the Ministry of Health, and we've just completed the survey which is a template for the entire new national system, working with the Ministry of Health, to rebuild the entire primary health care system.

There are 2,034 clinics in the country. AID has made a commitment that we will rebuild half of those clinics, a thousand of them. It's going to be a massive undertaking over three years. Without that clinic system, we will not be able to drop the highest maternal mortality rate in the world and one of the highest child mortality rates. We need a system to do that, and that's on schedule now, and the Europeans and the Japanese are going to put in the money for the rest of the clinics.

Through the University of Nebraska, we have printed over 10 million textbooks in Dari and Pashtu, and distributed them in time for the opening of school in March. This was temporary, but the Minister of Education liked the textbooks so much, he said print more of them, please. We're going to extend this another season, and I think we've printed another three or four million of them.

We have also refurbished schools. We just opened a school that we built with the civil affairs units. I'm a retired civil affairs officer in the military myself. It was a joint project in the Northern part of the country for girls, and it's a 3,000-girl high school. I can show you a picture--I should

have brought them--of the old high school, which was in complete ruins, and the new high school where girls are going to school now.

We also rebuilt the teachers' college in Kabul that trains teachers for the schools. Because if you don't have teachers coming out of the schools, who is going to train the kids or educate the kids in schools?

That's just a brief review of some of the things. I could go on for a couple hours on this. We are also working, though, on the new constitution. We are providing technical assistance to the Convention, the members of the Constitutional Convention, to work on this Constitution.

Now, Afghanistan is a conservative, Muslim country, and we have no right or intention to impose America on it. I want to be careful about this. There is a tendency in Washington, particularly for people in Washington who have never been to the developing world or to a country after a war, who say "we" are going to rebuild the country. We are not doing any rebuilding. We are helping people in other countries, in this case Afghanistan, to rebuild their society. It's their country. It's not our country. We are not writing their constitution for them. We are giving them the options that many countries all over the world--because many countries have done the same thing. We have four years of experience in constitution writing within AID--we are giving them the options they can choose from and letting them make the decision themselves.

If it is not something that is Afghan owned, it will not last very long. I can just tell you we learned a long time ago, if you impose things on people, it will not last very long. We want something that is permanent as a respected constitutional base for the legal system in the country.

We strongly support--personally, I support it--but I have to tell you the people I have talked with in Afghanistan support very high human rights standards, including religious freedom, women's rights and the rule of law.

Now, I have to tell you the old Constitution that dates from I think it's 1964 also contains all of the universal principles of human rights because Afghanistan, prior to '79, was making substantial progress toward moving toward a constitutional monarchy, and that Constitution

was part of that process. Unfortunately, it was interrupted by the Soviets in 1979.

The process of drafting the new constitution should be broadly inclusive, while the outcome should encourage national stability and give the Karzai administration the tools it needs to govern effectively. If properly drafted, the Constitution will strike a balance between traditional Afghan values and international human rights standards, and that's something that we will help them do, but they make their own decisions.

This is not an easy task. We have put aside \$22 million in technical assistance to the Constitutional, Judicial and Human Rights Commission, the three commissions that the Bonn Agreement authorized, and I am pleased to note that members of the three Commissions are with us today, as are the Minister of Justice and the Minister of State for Women's Affairs.

This assistance, the \$22 million, will also be used to prepare for the national elections--in fact, it's the bulk of what these costs are--scheduled for 2004, June of 2004, which will enhance a free and independent media and build and strengthen national political parties.

Our goal is to help Afghanistan achieve what our Founding Fathers achieved in Philadelphia 215 years ago, a constitution that will enable the people of the country to live in peace with each other and with their neighbors, while building a stable and prosperous nation that the Afghan people so richly deserve.

I actually told our staff yesterday, I sent the new President--he wasn't President at the time--of East Timor a copy of one of my favorite Founding Fathers, James Madison, who kept a detailed account of the minutes of the Constitutional Convention of 1787. It's one of our greatest documents, little read. It has every speech everybody gave, and we came very close, within one or two votes, to having a plural executive, three Presidents, if you can imagine that.

So people should be a little humble in the United States about how close we came to having a dysfunctional constitution ourselves. I sent that book to him, and he said, now the President of East Timor, that they read it carefully to make sure they didn't make the mistakes that the United States were faced with in 1787, and I think we're going to send the Constitutional Convention a copy of Madison's notes for their convention as well.

Thank you very much.